

CHIEF ADMINISTRATIVE OFFICER  
COUNTY OF LOS ANGELES

713 HALL OF ADMINISTRATION / LOS ANGELES, CALIFORNIA 90012  
974-1101

77 04522

HARRY L. HUFFORD  
CHIEF ADMINISTRATIVE OFFICER

January 3, 1977

MEMBERS OF THE BOARD  
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HONORABLE BOARD OF SUPERVISORS  
County of Los Angeles  
383 Hall of Administration

Gentlemen:

CAPITAL PROJECTS LONG-TERM  
FINANCING REPORT

*mostly*  
*Publ. bldgs hospitals*  
*" works County LA co*  
*" Finance " "*  
On November 23, 1976, on motion of Supervisor Edelman, your Board instructed me to prepare a report on alternative methods of financing the planning and construction of the Cancer Hospital and Research Institute and other Health Services' projects. Since any financing decision on Health Services' projects should be made in consideration of our total financing requirements, this report recommends a construction program of major priority facilities which could be financed over the next four years.

Due to the County's current financial limitations, the Board has ordered a policy which will substantially reduce the County's work force. This will result in a reduction in our facility needs, primarily for general purpose office space. This space need reduction will cause the future elimination of certain rental quarters, as well as County-owned facilities which do not meet current standards. However, the County still requires major facilities in which to provide specialized programs, particularly for the health care system.

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Construction of such major facilities should be considered only to meet program delivery needs and where existing facilities are substandard and do not meet modern criteria for facilities in terms of:

- Providing specialized services to meet priority health care needs not available to the citizens of the community through private or other public sources.
- Improving productivity through the consolidation of duplicate facilities and the elimination of outmoded and leased quarters.
- Providing for long-range cost reductions through the delivery of services in modern, conforming structures.

The County's revenue base has been restricted by Federal and State policies and Board decisions requiring that property taxes be held to the 1976-77 tax rate. However, the County's overall finances are generally healthy due primarily to decisions made by the Board which have:

- Greatly reduced the cash flow problems faced in 1975-76.
- Created a system of expenditure and revenue controls which will enable the County to respond to budgeting problems.
- Established a Board policy for a phased reduction of County staff and restricted expenditure growth.

Since anticipated available revenues are limited, cash financing of major construction is not feasible. The County can elect to finance construction using long-term financing through joint powers authorities and nonprofit corporations, thus spreading the tax burden over longer periods and reducing the tax levy requirements in a single year. The County's current indebtedness from such long-term financing is only 20 percent of the statutory limit. The County's minimal indebtedness, coupled with very favorable municipal bond market conditions, should allow limited use of non-voted bond financing.

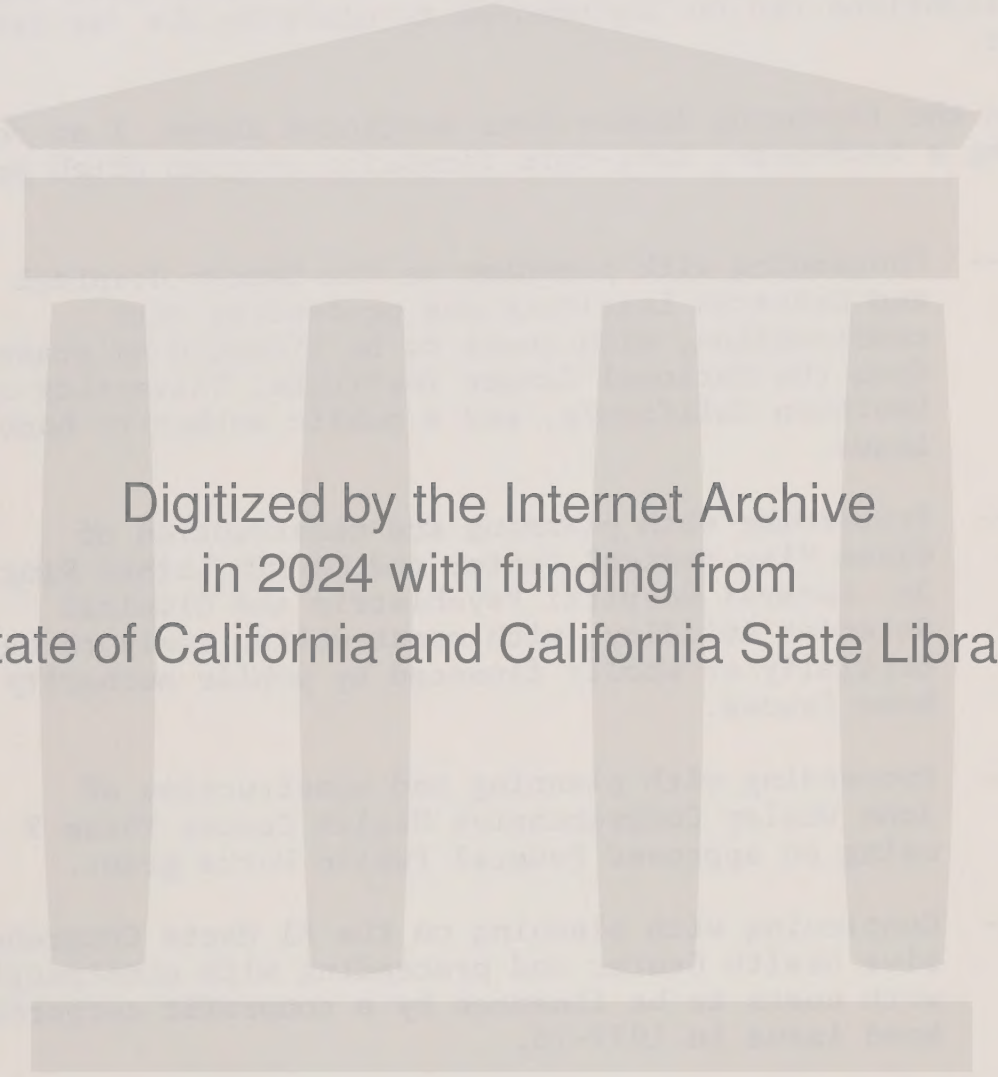




The Treasurer-Tax Collector advises that, in the current market, \$40-\$50 million in non-voted bonds could be issued annually without impairing the County's credit rating or saturating the bond market. The rental and operating budget requirements to support such bonds will result in a tax levy increase; however, we believe reductions in lower priority programs and consolidations can be implemented to minimize the tax rate impact.

Within the financing limitations mentioned above, I am recommending a four-year, long-term financing program which provides for:

- Continuing with planning on the Cancer Hospital and Research Institute and proceeding with construction, with costs to be financed by grants from the National Cancer Institute, University of Southern California, and a public authority bond issue.
- Proceeding with planning and construction of Olive View Medical Center and Martin Luther King, Jr. General Hospital Psychiatric and Clinical Sciences Building, with construction costs to be partially or wholly financed by public authority bond issues.
- Proceeding with planning and construction of John Wesley Comprehensive Health Center Phase 2 using an approved Federal Public Works grant.
- Continuing with planning on the El Monte Comprehensive Health Center and proceeding with construction, with costs to be financed by a nonprofit corporation bond issue in 1977-78.
- Proceeding with programming and planning on the Venice Primary Health Care Center in 1977-78, with construction costs to be financed by a public authority bond issue in 1979-80.



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- Proceeding with construction of the West Hollywood Sheriff's Station replacement facility to be financed by a nonprofit corporation bond issue.
- Deferring further planning and construction on the North Valley Courts, West Los Angeles Courts, Torrance Civil Courts, Van Nuys Municipal Courts Building, Bellflower Courts, Sheriff's Administration Building, and other projects as shown on Attachment 1.
- Utilizing grant resources such as Housing and Community Development Act funds, SB 174 and 1976 State Bond funds to finance the costs of park and beach projects and the Hollywood Bowl improvements.

New legislation (AB 4001), enacted and effective on September 9, 1976, prohibits the County from proceeding on any Health Services' construction until specific approval or an exemption is granted from the State Department of Health. Violation of this legislative requirement may result in civil or financial penalties being assessed. We have been advised that the Olive View Medical Center Replacement, the Martin Luther King, Jr. General Hospital Psychiatric and Clinical Sciences Building, and the John Wesley Comprehensive Health Center projects will be exempted by the State as over 10 percent of the project costs were expended before the effective date of the legislation. However, we must file for Certificates of Need on all other projects; and State approval or denial will be delayed pending the required public hearings. The Director of Health Services and I will continue to work with State officials to minimize the delays and, by separate memo, will advise you of our progress.

The financial impact of the recommended four-year construction program, pending State Department of Health approval of our projects, is outlined in Attachment 2 and summarized below:





	<u>Bond Financing Require. (Millions)</u>	<u>Fiscal Year of Bond Award</u>	<u>Annual Rental (Millions)</u>	<u>Annual Additional Operating Costs (Millions)</u>	<u>Total Annual Funding Require. (Millions)</u>
<u>HEALTH SERVICES</u>					
Cancer Hospital & Research Institute	\$ 38.0	1979-80	\$ 3.7	\$ 4.5	\$ 8.2
Olive View Medical Center Replacement	40.9	1978-79	4.0	1.2	5.2
Martin Luther King, Jr. Psychiatric & Clinical Sciences Building	29.4	1976-77	2.9	6.0	8.9
John Wesley Comprehen- sive Health Center (Public Works)	---	---	---	1.6	1.6
El Monte Comprehen- sive Health Center	14.5	1977-78	1.4	2.8	4.2
Venice Primary Health Center	4.0	1979-80	.4	2.8	3.2
<u>OTHER</u>					
West Hollywood Sheriff's Station	4.0	1977-78	.4	---	.4
TOTAL	\$130.8		\$12.8	\$18.9	\$31.7

This program proposes bond financing within the Treasurer-Tax Collector's guidelines and will result in additional rental and operating costs, starting in 1978-79 and gradually increasing to the full amount of \$31.7 million in 1981-82. This analysis is based on current Federal and State policies, regulations, and revenue subvention levels. Any significant change in these regulations or policies could alter our projections of County costs.





For financial reasons, as well as priority requirements, many major capital projects have not been recommended for long-term financing within this four-year program. Specifically, planning and construction of all court facilities should be deferred until an analysis of alternative uses of available courtroom space is completed.

### HEALTH SERVICES

The increasing property tax support of the health care system is forcing a reevaluation of service levels and has resulted in actual curtailment of some programs. Your Board has scheduled public hearings in February 1977 to consider further modifications to our health programs. In recognition of the need to establish an integrated system of acute medical care (hospitals) and preventive treatment (health centers), we must minimize additional operational costs by terminating or consolidating services.

Several Health Services's projects for which plans have been completed are not recommended for construction because new building codes have made such plans obsolete. These projects will be reevaluated in light of new licensing and accreditation requirements. In the following discussions of each of the recommended projects, the Director of Health Services and I are recommending specific offsets when possible to reduce operating costs.

### Hospitals

#### Cancer Hospital and Research Institute (Attachments 3A and 3B)

The general obligation bond issue for this project received a 57 percent affirmative vote, but did not receive the two-thirds affirmative vote that the constitution requires for general obligation bond financing. Since construction of a Cancer Hospital is supported by the majority of voters in Los Angeles County and financial support is offered by the University of Southern California and the National Cancer Institute, it merits consideration to proceed with this project.





In 1973, the LAC/USC Cancer Center program was named a comprehensive center--one of 18 designated to date. The Cancer Hospital and Research Institute will be the only free-standing hospital and research institution in the Pacific Southwest devoted exclusively to cancer. It will serve an estimated 13 million people and will be funded in part by the National Cancer Institute and the University of Southern California School of Medicine.

Since 1973, U.C.L.A. has been competing for designation by the National Cancer Institute as a second comprehensive center in Los Angeles, and it has just received designation as the nineteenth cancer center in the nation. The National Cancer Institute has indicated that a U.C.L.A. Comprehensive Cancer Center will complement the LAC/USC Cancer Center by providing coordinated services for Southern California, one of the major population areas of the nation. U.C.L.A. has assigned space within its Molecular Biology Institute for cancer research and will use 7 floors of its proposed 17-story School of Nursing for cancer laboratories and related administrative functions. The school has no plans for a cancer hospital; and Dr. Richard Steckel, Director of the U.C.L.A. Cancer Center, and Dr. Charles Young, U.C.L.A. Chancellor, are in support of the LAC/USC Cancer Hospital.

The facility is being designed in construction phases. The smaller, initial contracts may be financed by a combination of University of Southern California grant funds and County funds which will be reimbursed by the National Cancer Institute grant.

The major construction contract of \$30.0 million, plus \$8.0 million in equipment, can be financed through the existing Health Facilities Public Authority. Such financing will require an annual rental of \$3.7 million per year. The estimated operating costs of \$5.2 million per year may be reduced by \$.7 million for the radiation therapy consolidation, for a net operating cost of \$4.5 million. Final operational costs for the Cancer Hospital and Research Institute may vary if the County should decide to contract with the University of Southern California Medical School to operate the facility. (According to County Counsel, such a contract would be legal.)





To maintain our eligibility for the \$11.9 million grant, as stated in the attached letter from Dr. Newell (Attachment 4), the National Cancer Institute has asked the Board to reaffirm its financing commitment to complete this project and for a firm schedule on the awards of contracts.

Pursuant to the Board's order, all architectural planning work stopped at the completion of schematic plans. To meet proposed construction schedules, it is necessary that the architect be authorized immediately to proceed with the preliminary plans, and funds should be provided for Facilities Department services. The initial contracts for site clearance and grading can be awarded within six to nine months.

Olive View Medical Center and Central Plant Replacement  
(Attachments 5A and 5B)

Plans for this replacement facility are currently being prepared; and Phase 1, estimated at \$13.2 million, can be bid immediately. By the County's using Federal Earthquake Disaster grant funds on Phase 1 of the building, the central plant and equipment, public authority bond financing can be reduced to the Phase 2 building cost of \$40.9 million. The amount of bond financing will be reduced if we are successful in increasing the amount of the grant award.

The Director of Health Services and I have considered various alternatives for providing acute hospital care for the residents of the San Fernando Valley and recommend that the 350-bed hospital replacement be constructed. To offset operating costs of the facility, the following are recommended:

- Close and sell Olive View Midvalley Hospital Complex.
- Terminate Valley Hospital lease for 50 psychiatric beds.
- Reduce approximately 150 licensed beds at the LAC/USC Medical Center now utilized by San Fernando Valley residents.





The \$15.7 million operating cost of Olive View will be reduced by the above offsets of \$14.5 million, for a net additional cost of \$1.2 million. The annual rental for this facility will be \$4.0 million.

When we acquired the Olive View Midvalley Hospital, we planned for its subsequent sale upon completion of the Olive View Medical Center replacement. That anticipated revenue of \$9.0 million was appropriated in 1972 to cover the cost of acquisition and is now being carried on the books as an accounts receivable. Should your Board not proceed with construction of the Olive View Medical Center, the County would have to sell the Midvalley Hospital to collect the anticipated revenue or appropriate \$9.0 million in additional tax levy. If the Midvalley Hospital were sold without constructing the Olive View Medical Center, there would be no inpatient hospital facility in the San Fernando area.

Martin Luther King, Jr. General Hospital Psychiatric and Clinical Sciences Building (Attachments 6A and 6B)

This project provides for the construction of a 76-bed psychiatric facility for the mentally ill and mentally retarded and space for needed pathological laboratories.

Phase 1 of this facility, presently being constructed, is scheduled for completion in January. The County has advanced funds amounting to \$1.6 million for planning and construction in anticipation of a \$1.6 million grant reimbursement. Should your Board not proceed with Phase 2, the general fund would have a \$1.6 million deficit.

Phase 2 of the building, plus the central plant expansion and purchase of equipment, is estimated to cost \$29.4 million and may be funded by a single public authority bond issue. this fiscal year. The annual rental will be \$2.9 million. Net additional operating costs will be \$6.0 million per year, which includes \$900,000 of costs that will no longer be spent on Southeast residents in other mental health regions.

Comprehensive Health Centers

In addition to the two comprehensive health centers constructed or under construction, four additional health care facilities have been proposed: John Wesley, El Monte, San Fernando and Venice. I am recommending the following:



- Proceed with construction of the Olive View Medical Center as an alternative to the San Fernando Comprehensive Health Center.
- Continue with planning and construction of John Wesley and El Monte Comprehensive Health Centers.
- Start programming and planning on the Venice Primary Health Center in 1977-78, with construction to occur in 1979-80.

Following is a discussion of each of the recommended health centers.

John Wesley Comprehensive Health Center  
(Attachments 7A and 7B)

Phase 1 of this comprehensive health center now being constructed will be completed in early 1977 at an estimated cost of \$1.3 million (revenue sharing funds). The construction cost of the second phase will be financed by a Federal Public Works grant.

The total annual operating costs of this facility are \$3.8 million, of which \$2.2 million may be offset by the reduction of ambulatory care services currently provided at John Wesley Hospital Outpatient Clinic, for a net additional \$1.6 million per year.

El Monte Comprehensive Health Center  
(Attachments 8A and 8B)

This project provides for the construction of a comprehensive health center to serve the greater El Monte/San Gabriel Valley area. This area has no County hospital facility and ranks high in the State's priorities for ambulatory care facilities.

The site for the El Monte Comprehensive Health Center is now being acquired, the schematic plans are complete, and preliminary plans have been authorized. I propose that the planning effort be continued and that the estimated cost of \$14.5 million for this facility be financed by a nonprofit corporation bond, for an annual rental of \$1.4 million. To partially offset the operating cost of this facility, the following health centers should be closed upon completion of the El Monte facility:





-- San Gabriel Mental Health Center (Arcadia)

-- El Monte Health Care Center

Operating costs will total \$5.5 million per year, of which \$2.7 million of transferrable costs will be saved by closing health care facilities in Arcadia and El Monte, for a net additional cost of \$2.8 million.

Venice Primary Health Center  
(Attachments 9A and 9B)

The existing facility is inadequate for present demands and creates operational inefficiencies which should be corrected. I recommend that programming and planning efforts for an expanded or replacement facility be started next year, with construction to occur in 1979-80.

Preliminary estimates indicate such a facility would cost approximately \$4.0 million. Public authority bond financing would result in an annual rental of \$400,000. The estimated operational costs of \$3.1 million per year would be partially offset by \$.3 million by closing the Venice Health Subcenter, for a net additional cost of \$2.8 million. Additional offsets may be recommended later to reduce further this operating cost.

Licensing and Accreditation Projects

New health facility codes will require some rather costly modifications to our existing health centers and hospitals to maintain accreditation and/or licensing to qualify for continued Medi-Cal/Medicare subvention. Alternatives for satisfying these code requirements are being developed, and some will be recommended in the next year's budget. These projects will be of the highest priority. Some of the requirements currently being evaluated are as follows:

-- Post-surgical beds at Rancho Los Amigos Hospital.

-- Additional surgeries at Rancho Los Amigos Hospital.

-- ICUs at LAC/USC Medical Center.

-- Fire safety improvements at LAC/USC Medical Center and Harbor General Hospital.





COURT PROJECTS

A recent court inventory study indicates a vacancy of 48 Superior and Municipal Courtrooms throughout the County. This vacancy factor includes existing, as well as courts now under construction that will be completed within 15 months. A study on the utilization of these vacant courtrooms is now in progress and will be completed in approximately 60 days. Therefore, further work on court facilities should be deferred until I report to your Board on the recommended uses of available courtroom space.

OTHER CAPITAL PROJECTS

There are many major non-Health Services' projects for which plans are being designed or are complete and substantial construction funding will be required. For those projects estimated to cost in excess of \$2.0 million, I propose that your Board adopt a policy that planning efforts in the future not proceed beyond the program stage until an affordable means of financing the construction has been determined.

Of those projects for which plans are substantially complete, I recommend nonprofit corporation financing at this time for only the West Hollywood Sheriff's Station (Attachments 10A and 10B), estimated to cost \$4.0 million, for an annual rental of \$400,000. The new facility will eliminate the present inadequate quarters and will promote better space utilization and improve productivity. However, additional funds will be required this year to update the plans. There will be no additional operating costs to staff this replacement facility.

The many Parks and Recreation projects for which plans are complete, including the Hollywood Bowl improvements, should be funded when possible through the grant resources now available: Community Development Act funds, SB 174, 1976 State Bond Program, Land and Water Grant Program, and the Army Corps of Engineers Program. Long-term financing of these projects is not recommended.

All other projects with completed plans, with the exception of court facilities, should be deferred for construction funding until such time as sufficient funds are available.



SUMMARY

My report has concentrated on recommending a construction financing program to the Board which reflects your priority concerns. Our health care delivery system represents one of the most visible services the County provides, and the changing complexity of the demands for that service requires immediate but planned response within our fiscal limitations. To minimize the operating costs of providing required modern facilities, the Director of Health Services and I are recommending the closure of specific facilities, utilizing those reductions as partial offsets to the new programs. Without such a commitment, I would be unable to support the construction program outlined in this report.

The \$31.7 million in additional rental and operating costs will be only partly absorbed by assessed valuation or cost of living increases. To avoid a tax rate increase, I intend to recommend further reductions in lower priority programs, as well as a reordering of priorities as needed.

THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the four-year financing plan outlined in this report.
2. Reaffirm the Board's commitment to finance its share of the planning and construction costs of the Cancer Hospital and Research Institute.
3. Authorize the Director of Facilities to instruct the architect for the Cancer Hospital and Research Institute to proceed with preliminary plans.
4. Instruct the Director of Facilities to submit for Board adoption the Phase 1 final plans of Olive View Medical Center and to advertise for construction bids.
5. Instruct the Chief Administrative Officer to amend various joint powers agreements to permit public authority bond financing of identified projects.





6. Instruct County Counsel to recommend bond counsels to establish nonprofit corporations to finance the appropriate projects as identified in this report.
7. Instruct the Director of Facilities to proceed with necessary steps to award Phase 2 contract for the John Wesley Comprehensive Health Center with Federal Public Works funds.
8. Defer further planning on all court facilities and instruct the Chief Administrative Officer to submit a report on recommended uses of available courtrooms.
9. Adopt the policy that planning efforts on projects estimated to cost in excess of \$2.0 million not proceed beyond the program stage until an affordable means of financing has been determined.
10. Instruct the Chief Administrative Officer to prepare and submit for Board approval budget adjustments to fund necessary services on projects recommended for planning and/or construction.

Very truly yours,



HARRY L. HUFFORD  
Chief Administrative Officer

HLH:WAL

LVM:d1

Attachments

cc: Each Supervisor  
County Counsel  
Director of Facilities  
Director of Health Services  
Director of Parks and Recreation  
Presiding Judge, Municipal Courts  
Presiding Judge, Superior Courts  
Auditor-Controller  
Treasurer-Tax Collector





## ATTACHMENT 1

### MAJOR CAPITAL PROJECTS FOR WHICH PLANS ARE ESSENTIALLY COMPLETE

- Mall Phase 3
- Mall Ventilation Phase 1
- Mall Ventilation Phase 2
- Music Center Mall Ventilation
- Engineering Sciences Building
- San Fernando Courts Building and Parking
- Torrance-South Bay Courts Building and Parking Structure
- West Los Angeles Courts Building and Parking Structure
- Sheriff's Administration Building
- LAC/USC Medical Center - Central Plant Expansion Phase 1
- LAC/USC Medical Center - Laundry Building
- LAC/USC Medical Center - Pharmacy Building
- LAC/USC Medical Center - Central Plant Distribution
- Mira Loma Hospital Surgeries and Equipment
- Rancho Los Amigos Hospital - Intensive Rehabilitation Center
- Rancho Los Amigos Hospital - Central Plant Addition
- Rancho Los Amigos Hospital - Clinic Building Addition - Surgeries



# ATTACHMENT 2

## PROPOSED SCHEDULE FOR NON-VOTED BOND FINANCING (Millions)

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>
<u>HEALTH SERVICES' PROJECTS (1)</u>				
Cancer Hospital and Research Institute	\$	\$	\$	\$38.0
Olive View Medical Center			40.9	
Martin Luther King, Jr. Psychiatric and Clinical Sciences Building	29.4			
El Monte Comprehensive Health Center		14.5		
Venice Primary Health Center				4.0
<u>OTHER PROJECTS (1)</u>				
West Hollywood Sheriff's Station		4.0		
Total Construction Requirements	\$29.4	\$18.5	\$40.9	\$42.0
Bond Issue Requirements	35.3	22.2	49.1	50.4

(1) Since some of these projects have been delayed pending a funding decision, the project costs at the time of award may be greater due to escalation.





## ATTACHMENT 3A

CANCER HOSPITAL AND RESEARCH INSTITUTE  
ANNUAL FUNDING REQUIREMENT  
(Millions)

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
<u>PROJECT COSTS</u> <sup>(1)</sup>						
Plans/Inspection	\$ .2	\$ .3	\$ .3	\$ .2	\$ .1	\$
Site Develop. & Demolition		3.4*				
Construction (Contracts 2 & 3)			11.0*			
Construction (Contract 4)				(30.0)		
Equipment				(8.0)		
Total Project Cost	<u>\$ .2</u>	<u>\$ 3.7</u>	<u>\$11.3</u>	<u>\$ 38.2</u>	<u>\$ .1</u>	<u>\$</u>
Lease Costs	\$	\$	\$	\$	\$	\$ 3.7
Cash Flow Deficits			\$ 6.8	\$ 2.9		
<u>NET ADDITIONAL OPERATIONAL COSTS (CURRENT DOLLARS)</u>						
Staffing and Supplies	\$	\$	\$	\$	\$ 2.1	\$ 4.3
Maintenance					(Included above)	
Utilities					.1	.2
Total County Budgetary Requirements	<u>\$ .2</u>	<u>\$ .3</u>	<u>\$ .3</u>	<u>\$ .2</u>	<u>\$ 2.3</u>	<u>\$ 8.2</u>

\*Cash advances by County to be reimbursed from grant funds.

( ) Amount to be financed by bond issue.

(1) Since some of these projects have been delayed pending a funding decision, the project costs at the time of award may be greater due to escalation.



## ATTACHMENT 3B

### CANCER HOSPITAL AND RESEARCH INSTITUTE

The schematic plans for this \$53.5 million facility are complete; and in accordance with your Board's instructions, no further work is being done by the architect. An estimated \$2.6 million will be required to complete the plans; however, sufficient funds are on reserve to cover these costs.

The National Cancer Institute and University of Southern California have agreed to provide \$11.9 million and \$6 million respectively to partially offset this project cost.

The following details the cost elements of this project:

Site Development	\$ 3.4 million
Building	41.0 million
Facilities Services	1.1 million
Equipment	<u>8.0 million</u>
Subtotal	\$53.5 million
Less Grant	<u>15.3 million*</u>
Total	\$38.2 million

\*The grant amount has been reduced in an amount equal to the funds allocated for planning.

We have analyzed a number of financing options for Cancer and have concluded that cash advances by the County on the first \$14.4 million in construction contracts in anticipation of subsequent grant reimbursement, and one single JPA bond issue on the remaining \$38.0 million for the remaining construction and equipment, is the least costly means of financing. The County will experience a cash flow deficit because grant funds will not be released until the final major JPA contract is awarded. This deficit will require short-term borrowing; however, the interest on this short-term funding requirement is less costly than use of JPA bonds.

Portions of this project can be financed through the issuance of revenue bonds by the existing Health Facilities Authority. It is estimated that a total of \$38.0 million must be financed by a bond. The resulting annual rental would be about \$3.7 million. The total operating costs of this facility are estimated at \$5.2 million. However, a recommended consolidation of the radiation therapy operation will provide an offset of \$700,000, thereby reducing the net additional operating costs to \$4.5 million per year. The County's actual costs of operating the hospital portion of the facility may vary if the County contracts with the University of Southern California's School of Medicine for such services. The University of Southern California's Medical School will be responsible for financing the cancer research activities.





The following must be accomplished prior to proceeding with bond financing of this project:

- Budget adjust \$200,000 to allow Facilities to complete plan review and design of utilities relocation, demolition and Grad Hall remodeling.
- Retain financial consultant for public authority.
- Comply with AB 4001.





ATTACHMENT 4

DEPARTMENT OF HEALTH, EDUCATION,  
PUBLIC HEALTH SERVICE  
NATIONAL INSTITUTES OF HEALTH  
BETHESDA, MARYLAND 20014

DEC 15 1976

Our Reference: NCI Grant CA-14800-01

Mr. Harry Hufford  
Chief Administrative Officer  
County of Los Angeles  
Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Mr. Hufford:

You will recall that following an intensive competitive review of the construction grant application submitted by the County of Los Angeles, the National Cancer Institute awarded a grant to the County on April 1, 1974 in the amount of \$11,880,000 for construction of the Los Angeles County-University of Southern California Cancer Hospital and Research Institute. The disbursement of these funds was contingent upon the understanding that the remainder of the estimated total construction costs of this project would be assured by the County of Los Angeles and the University of Southern California, and that construction would begin within one year. Upon requests from the County, the award has been extended twice. It is due to expire on January 1, 1977.

If a request for another extension of this grant is contemplated, I would suggest that it be endorsed by the Los Angeles County Board of Supervisors.

In January 1976, the National Cancer Institute requested assurance from the County and the University that their shares of the construction funds would be forthcoming and that the project would proceed according to schedule. A communication dated March 12, 1976 was received from Mr. James S. Mize which included your March 3, 1976 report to the Board of Supervisors of Los Angeles County, and the resolutions adopted by the Board on March 9, 1976. Mr. Mize's letter called attention to the resolutions "...certifying the County's intent to fund the Cancer Hospital and Research Institute and the Board's approval of the architectural services agreement...." That communication was accepted by the NCI as a firm commitment to complete the project and insure the necessary matching funds from local sources.

In May 1976, senior members of NCI staff met for two days in Los Angeles with representatives of the County, the University, the Cancer Center, and the architectural firm under contract to the County, to clarify all federal requirements and assist in accelerating the design and construction schedule of the project. For several months following that meeting





Page 2 - Mr. Harry Hufford

the progress of the project was accelerated and gratifying; it led to completion of final schematic drawings and their review and approval by the NCI. However, in recent months this progress seems to have been abated.

The NCI was advised in June 1976 of the Board's decision to raise the funds necessary for this project by placing a general obligation bond issue on the ballot for the election of November 2, 1976. I have been informed that although the electorate demonstrated a strong support for Proposition C, it failed to achieve the necessary two-thirds vote for passage. It is my understanding that the Board will reach a decision this month on the alternatives available to insure the County's share for funding this project.

The demonstrated need for such a facility in the Los Angeles area has given this project high national visibility. I would like to assure you of the strong support for the project by the National Cancer Institute and by me personally. However, it is my duty to advise you that an extension of the award will depend upon a clear commitment by the County to provide funds to complete the project and a mutually satisfactory construction schedule to be negotiated between the County and the National Cancer Institute.

Sincerely yours,

Guy R. Newell, M.D.  
Acting Director  
National Cancer Program

cc:

Mr. Liston A. Witherill, Director of Health Services  
Mr. Steven Koonce, Director of Facilities  
Mr. William Leone, Capital Projects Division  
Mr. James S. Mize, Executive Officer  
Dr. John Hubbard, President, University of Southern California  
Dr. Allen Mathies, Dean, USC School of Medicine  
Dr. G. Denman Hammond, Director, LAC-USC Cancer Center



## ATTACHMENT 5 A

OLIVE VIEW MEDICAL CENTER  
ANNUAL FUNDING REQUIREMENTS  
 (Millions)

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
<u>PROJECT COSTS</u> <sup>(1)</sup>						
Plans and Inspection	\$ .3	\$ .3	\$ .2	\$ .3	\$ .1	\$
Construction - Phase 1 Bldg.	13.2*					
Construction - Phase 2 Bldg.			(40.9)			
Construction - Central Plant			4.0*			
Equipment				12.0*		
Total Project Cost	<u>\$13.5</u>	<u>\$ .3</u>	<u>\$ 45.1</u>	<u>\$12.3</u>	<u>\$ .1</u>	<u>\$</u>
Lease Costs	\$	\$	\$	\$	\$	\$ 4.0
Cash Flow Deficits	None					
<u>NET ADDITIONAL OPERATIONAL COSTS (CURRENT DOLLARS)</u>						
Staffing and Supplies	\$	\$	\$	\$	\$ .1	\$ .1
Maintenance					.2	.4
Utilities					.3	.7
Total County Budgetary Requirements	<u>\$ .3</u>	<u>\$ .3</u>	<u>\$ .2</u>	<u>\$ .3</u>	<u>\$ .7</u>	<u>\$ 5.2</u>

\*Cash advance by County to be reimbursed by grant.

( ) Amount to be financed by bond issue.

(1) Since some of these projects have been delayed pending a funding decision, the project costs at the time of award may be greater due to escalation.





## ATTACHMENT 5B

### OLIVE VIEW MEDICAL CENTER

The plans for this \$71.3 million, 350-bed hospital replacement are being prepared; and the plans for Phase 1, estimated to cost \$13.2 million, are ready for bid.

The County has been awarded a \$37.7 million disaster relief grant by the Federal Government which will substantially offset the cost of the project.

The following details the total project cost that will require financing:

Phase 1 Site Development	\$13.2 million
Phase 2 Hospital Facility	40.9 million
Facilities Dept. Services	1.2 million
Central Plant	4.0 million
Equipment	<u>12.0 million</u>
Subtotal	\$71.3 million
Less Grant	<u>34.0 million*</u>
Net County Project Cost	\$37.3 million

\*The grant has been reduced in an amount equal to funds advanced for planning.

Analysis indicates that the least costly method of financing this project would be to use grant funds for the first phase of construction of the hospital, the central plant, and the purchase of equipment and to issue revenue bonds through the existing Health Facilities Authority for the second phase of hospital construction.

It is estimated that \$40.9 million must be financed by revenue bonds for Phase 2 of this project. This would require an annual rent of approximately \$4.0 million and a total operating cost of \$15.7 million annually. To offset the operating costs, I recommend the following:

- Close and sell Olive View Midvalley Hospital.
- Terminate Valley Hospital lease for 50 psychiatric beds.
- Reduce approximately 150 licensed beds at the LAC/USC Medical Center.

These offsets total \$14.5 million and will reduce the net additional operating costs to \$1.2 million per year.



The following must be accomplished prior to proceeding with bond financing of this project:

- Amend joint powers agreement with the City of Los Angeles to permit project to be funded by the Health Facilities Authority.
- Employ a financial consultant for the public authority.





## ATTACHMENT 6A

MARTIN LUTHER KING, JR. PSYCHIATRIC AND CLINICAL  
SCIENCES BUILDING AND CENTRAL PLANT  
ANNUAL FUNDING REQUIREMENTS  
(Millions)

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
<u>PROJECT COSTS</u> <sup>(1)</sup>					
Plans/Inspection	\$ .5	\$ .4	\$ .4	\$ -0-	\$ -0-
Construction/Equipment	(29.4)				
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Project Cost	\$ 29.9	\$ .4	\$ .4	\$ -0-	\$ -0-
Lease Costs	\$	\$	\$	\$ 2.9	\$ 2.9
Cash Flow Deficit	None				
<u>NET ADDITIONAL OPERATIONAL COSTS (CURRENT DOLLARS)</u>					
Staffing and Supplies	\$	\$	\$ 2.8	\$ 5.7	\$ 5.7
Maintenance			(Included above)		
Utilities			.1	.3	.3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total County Budgetary Requirements	\$ .5	\$ .4	\$ 3.3	\$ 8.9	\$ 8.9

( ) Amount to be financed by bond issue.

(1) Since some of these projects have been delayed pending a funding decision, the project costs at the time of award may be greater due to escalation.



ATTACHMENT 6B

MARTIN LUTHER KING, JR. PSYCHIATRIC AND CLINICAL  
SCIENCES BUILDING AND CENTRAL PLANT EXPANSION

This facility has been designed in two phases, the first of which is under construction (\$1.1 million) and will be complete by January 1977.

The following project costs will require bond financing:

Phase 2 Construction	\$20.1 million
Central Plant Expansion	4.8 million
Equipment	<u>4.5 million</u>
Total	\$29.4 million

An approved HEW grant of \$1,593,019 will partially offset the costs of this facility.

The County has advanced approximately \$1.6 million for planning and the Phase 1 construction in anticipation of grant reimbursement. Martin Luther King, Jr. Public Authority, which has financed other portions of the hospital, can finance the remaining \$29.4 million of the construction cost. This would require an annual rent of approximately \$2.9 million and a total operating cost of \$6.9 million per year. This cost will be reduced by \$900,000 in costs which will no longer be spent on Southeast residents in other mental health regions, for a net cost of \$6.0 million.

The following must be accomplished prior to proceeding with bond financing of this project:

- Amend the joint powers agreement with the City of Los Angeles.
- Retain a financial consultant for the public authority.
- Budget adjust \$147,000 to reactivate the architect's contract.



## ATTACHMENT 7A

JOHN WESLEY COMPREHENSIVE HEALTH CENTER  
ANNUAL FUNDING REQUIREMENT  
(Millions)

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
<u>PROJECT COSTS</u>					
Plans/Inspection	\$ .2*	\$ .1*	\$ .1*	\$ ---	\$ ---
Construction	4.5*				
Equipment		2.0			
Total Project Cost	\$ 4.7	\$ 2.1	\$ .1	\$ ---	\$ ---
Lease Costs	None				
Cash Flow Deficits	None				
<u>NET ADDITIONAL OPERATIONAL COSTS (CURRENT DOLLARS)</u>					
Staffing and Supplies	\$ ---	\$ ---	\$ .7	\$ 1.4	\$ 1.4
Maintenance				.1	.1
Utilities				.1	.1
Total County Budgetary Requirements	\$ ---	\$ 2.0	\$ .7	\$ 1.6	\$ 1.6

\*Funded by Federal Public Works grant.





## ATTACHMENT 7B

### JOHN WESLEY COMPREHENSIVE HEALTH CENTER

The construction contract for Phase 1 of this facility was awarded last year in an amount of \$1.3 million from revenue sharing funds, and construction will be complete in early 1977. The construction cost of Phase 2, estimated at \$4.5 million, has been approved for a Federal Public Works grant. Construction of this project may proceed when we meet EDA requirements for an acceptable contract, such as:

- Compliance with Federal Affirmative Action requirements.
- Davis-Bacon Wage Laws.

The gross operating costs of this facility are estimated at \$3.8 million, which will be partially offset by \$2.2 million from the reduction of ambulatory care services currently provided at the John Wesley Hospital Outpatient Clinic, for a net additional cost of \$1.6 million.

The County must fund an estimated \$2.0 million for equipment, as this cost will not be covered by Public Works funding.



## ATTACHMENT 8A

EL MONTE COMPREHENSIVE HEALTH CENTER  
ANNUAL FUNDING REQUIREMENT  
(Millions)

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
<u>PROJECT COSTS</u> (1)					
Land Acquisition	\$	\$ .3	\$	\$	\$
Plans/Inspection	.1	.4	.2	.2	
Construction/Equipment		(14.5)			
Total Project Cost	<u>\$ .1</u>	<u>\$ 15.2</u>	<u>\$ .2</u>	<u>\$ .2</u>	<u>\$</u>
Lease Costs	\$	\$	\$	\$	\$ 1.4
Cash Flow Deficit	None				
<u>NET ADDITIONAL OPERATIONAL COSTS (CURRENT DOLLARS)</u>					
Staffing and Supplies	\$	\$	\$	\$ 1.3	\$ 2.6
Maintenance				.1	.1
Utilities				.1	.1
Total County Budgetary Requirements	<u>\$ .1</u>	<u>\$ .7</u>	<u>\$ .2</u>	<u>\$ 1.7</u>	<u>\$ 4.2</u>

( ) Amount to be financed by bond issue

(1) Since some of these projects have been delayed pending a funding decision, the project costs at the time of award may be greater due to escalation.





ATTACHMENT 8B

EL MONTE COMPREHENSIVE HEALTH CENTER

The schematic plans for this 157,000 gross square foot regional comprehensive health center are complete, and your Board has approved authorization of preliminary plans. During 1975-76, your Board authorized condemnation on the 9.12 acre site for this facility. Negotiations to acquire this site are now in progress. The following project costs are estimated as follows:

Land	\$ .3 million
Facilities Services	.9 million
Construction	11.0 million
Equipment	<u>3.5 million</u>
Total	\$15.7 million

The \$11 million cost of construction and \$3.5 million in equipment could be financed by a nonprofit corporation and would result in an annual rental of \$1.4 million. The total estimated operating costs of \$5.5 million will be reduced by closing the following facilities:

- San Gabriel Mental Health Center (Arcadia)
- El Monte Health Center

These offsets amount to \$2.7 million and will reduce the El Monte costs to a net additional \$2.8 million per year.

The following must be accomplished prior to proceeding with bond financing of this project:

- Establish a nonprofit corporation to finance the project.
- Comply with AB 4001.



## ATTACHMENT 9A

VENICE PRIMARY HEALTH CENTER  
ANNUAL FUNDING REQUIREMENT  
 (Millions)

	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
<u>PROJECT COSTS</u>					
Land Acquisition	\$	\$ .7	\$	\$	\$
Plans/Inspection	.1	.2	.1	.1	
Construction/Equipment			(4.0)		
Total Project Cost	<u>\$ .1</u>	<u>\$ .9</u>	<u>\$ 4.1</u>	<u>\$ .1</u>	<u>\$</u>
Lease Costs	\$	\$	\$	\$	\$ .4
Cash Flow Deficits	None				
<u>NET ADDITIONAL OPERATIONAL COSTS (CURRENT DOLLARS)</u>					
Staffing and Supplies	\$	\$	\$	\$	\$ 2.8*
Maintenance					N.A.
Utilities					N.A.
Total County Budgetary Requirements	<u>\$ .1</u>	<u>\$ .9</u>	<u>\$ .1</u>	<u>\$ .1</u>	<u>\$ 3.2</u>

( ) Amount to be financed by bond issue.

\*The cost impact may be reduced further by subsequent closure or consolidation of existing facilities.



## ATTACHMENT 9B

### VENICE PRIMARY HEALTH CENTER

This project provides for the construction of a 34,515 gross square foot primary health center to serve the Venice-Del Rey and Mar Vista areas. Preliminary demographic studies indicate the facility should be located to the northwest of the existing Venice Subcenter. To date, only preliminary programming has been completed. Architectural programming, land acquisition, and project design will all be required prior to construction.

The following details the total project costs which will require financing:

Land	\$ .7	million
Facilities Department Services	.5	million
Construction	3.0	million
Equipment	<u>1.0</u>	million
Total	\$5.2	million

The \$4.0 million construction and equipment costs could be financed through the existing Health Facilities Authority and would result in an annual rental of \$.4 million.

The gross operating costs of this facility, estimated at \$3.1 million, will be partially offset by \$.3 million from the closing of the existing Venice Health Subcenter, for a net additional cost of \$2.8 million. The operational cost impact may be reduced further by subsequent closure or consolidation of existing facilities.

The following must be accomplished prior to proceeding with the bond financing of this project:

- Amend the joint powers agreement with the City of Los Angeles to permit the project to be funded by the Health Facilities Authority.
- Comply with AB 4001.





## ATTACHMENT 10A

WEST HOLLYWOOD SHERIFF'S STATION (REPLACEMENT)  
ANNUAL FUNDING REQUIREMENT  
 (Millions)

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
<u>PROJECT COSTS</u> <sup>(1)</sup>					
Plans/Inspection	\$ .1	\$ .2	\$ .2	\$	\$
Construction/Equipment		(4.0)			
Total Project Cost	<u>\$ .1</u>	<u>\$ 4.2</u>	<u>\$ .2</u>	<u>\$</u>	<u>\$</u>
Lease Costs	\$	\$	\$	\$ .4	\$ .4
Cash Flow Deficit	None				
<u>NET ADDITIONAL OPERATIONAL COSTS (CURRENT DOLLARS)</u>					
Staffing and Supplies	\$ None	\$	\$	\$	\$
Maintenance					
Utilities					
Total County Budgetary Requirements	<u>\$ .1</u>	<u>\$ .2</u>	<u>\$ .2</u>	<u>\$ .4</u>	<u>\$ .4</u>

( ) Amount to be financed by bond issue.

(1) Since some of these projects have been delayed pending a funding decision, the project costs at the time of award may be greater due to escalation.



ATTACHMENT 10B

WEST HOLLYWOOD SHERIFF'S STATION REPLACEMENT

Final plans for this replacement facility were authorized by the Board on September 23, 1975. During review of the final plans, the Sheriff's Department requested modifications requiring a supplemental architectural services agreement with the architect. The supplemental agreement was submitted to the Board on May 18, 1976, and the request was returned to the department and further action deferred pending determination of a method of financing. Land for the building has been acquired.

The project is estimated to cost \$4.0 million and may be funded through a nonprofit corporation at an annual rental rate of \$400,000. There is no net additional operating cost for this replacement facility.

The following must be accomplished prior to proceeding with bond financing of this project:

- Budget adjust \$145,000 to fund Facilities Department services and a supplemental architectural services agreement with the architect.
- Retain a bond counsel for a nonprofit corporation to finance this project.



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